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6/17/98

Approved For Release 2001/03/22 : CIA-RDP82-00457R0002000

INFORMATION REPORT

CD NO.

25X1A

COUNTRY Austria/USSR

SUBJECT Cut in USIA Prices to Meet Competition from
25X1A Siemens-Schuckert, Nibelungengasse

DATE DISTR. 27 JUN 49

NO. OF PAGES 1

Document No.

NO CHANGE in class

~~DECLASSIFIED~~

Class. CHANGED TO:

DOA Memo, 4 Apr 77

Auth. DDA REG 7711763

NO. OF ENCLS.
(LISTED BELOW)

25X1A

SUPPLEMENT TO
REPORT NO.

1. On 5 May 1949, Directors DAVID, ZEHETNER and a technician of the non-USIA Siemens-Schuckert plant on Nibelungengasse were called to a meeting in the Trattnerhof building with IVANOV and General KOSSOV to discuss recent price cuts made by the Nibelungengasse plant.* KOSSOV emphasized that USIA expected to be forewarned regarding all price changes. He accused the Nibelungengasse directors of having violated their contract with USIA, in having cut prices on ~~these~~ and four-horsepower motors, and urged them to raise their prices to USIA's price level.**ZEHETNER allegedly answered KOSSOV's criticism by saying that, as a matter of sound business practice, he had not informed his competitors before announcing the price cuts and suggested that KOSSOV refer the matter to the Austrian Government. During this meeting, KOSSOV also demanded that the construction of the Oesterreichische Elektrizitaetsgesellschaft plant at Deuchendorf, Styria, be halted, claiming that the USIA-controlled electrical industry could meet all the demands of the Austrian market.

2. At a second meeting with ZEHETNER, on 10 May, KOSSOV repeated his desire for a price compromise and offered to cut the USIA price for three and four-horsepower motors if the Nibelungengasse plant would raise its price accordingly. ZEHETNER refused. A few days later USIA announced a 25 to 30 percent reduction in the price of these motors, but USIA's prices are still approximately 12 percent higher than the Nibelungengasse plant's. At the same time, USIA stopped all deliveries under their contract with the Nibelungengasse plant. Source believes that any shortages resulting from this measure will not materially affect production at the Nibelungengasse plant and that in three months, when the Oesterreichische Elektrizitaetsgesellschaft plant begins production, the shortages will be eliminated, and the Austrian electrical industry will be able to cut prices an additional 25 percent on a number of electrical products. In this connection, source mentioned that the USIA-controlled Siemens-Schuckert Engerthstrasse plant has stopped production of welding transformers, allegedly because of high production costs and increasing sales resistance.

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Next Review Date: 2008

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four-horsepower motors were
the contract with the USIA